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Nov. 24, 2020

PUBLIC NOTICE

SUBJECT: Proposed Action for FFY 2021 DSH Payments and Swing Bed Hospital and Administrative Day Rates

The South Carolina Department of Health and Human Services (SCDHHS), pursuant to the requirements of Section 1902(a)(13)(A) of the Social Security Act, gives notice of the following proposed actions regarding its methods and standards for establishing Medicaid Disproportionate Share Hospital (DSH) payments to qualifying DSH hospitals and for updating the swing bed hospital and administrative day rates.

Federal legislation H.R. 748, Section 3813 further delayed implementation of the DSH Affordable Care Act (ACA) reductions until Dec. 31, 2020. The Medicaid DSH cuts, initially scheduled to begin during federal fiscal year (FFY) 2014, have been delayed repeatedly but are scheduled to take place during FFY 2021. The proposed FFY 2021 DSH reductions nationwide will amount to \$4.0 billion federal dollars. SCDHHS has not been advised of the potential reduction amount for FFY 2021 and assumes that congressional action to delay DSH reductions is likely prior to the end of the calendar year. If DSH cuts are not delayed, the agency will release additional guidance.

Proposed DSH Changes

- The agency proposes to update the base year used to calculate the interim DSH payments for the DSH allotment period, which ends on Sept. 30, 2021 (FFY 2021), using hospital fiscal year end 2019 data, the continued use of the Dec. 19, 2008, final rule (Federal Register / Vol. 73, No. 245) relating to the audits of the Medicaid DSH Payment Plans and the Dec. 3, 2014, final rule (Federal Register /Vol. 79, No. 232) relating to the Medicaid Program DSH Payments Uninsured Definition.
- The agency proposes to update the inflation rate used to trend the DSH base year cost to the end of the 2019 calendar year.
- The agency will expend 100% of its FFY 2021 Medicaid DSH allotment to qualifying DSH-eligible hospitals during the Medicaid State Plan Rate Year.
- In accordance with Budget Proviso 33.20 (A) of the state fiscal year (SFY) 2019/2020 South Carolina State Appropriations Act, the agency will tie DSH payments to participation in the Healthy Outcomes Initiative and may expand the program as DSH funding is available.

SCDHHS will also propose making the following changes to the inpatient hospital payment methodology effective on or after Jan. 1, 2021:

- The agency will update the inpatient hospital swing bed and administrative day rates based upon the Oct. 1, 2020/Jan. 1, 2021 rebasing of nursing facility payment rates.

SCDHHS proposes to implement bullets one through three in order to calculate the FFY 2021 DSH payments based on the changes in the DSH payment methodology as previously noted, the most recent cost reporting period data available (HFY 2019) and Medicaid DSH allotment available. SCDHHS proposes to implement bullet four in order to improve outcomes for the uninsured population. SCDHHS proposes to update the swing bed and administrative day rates, bullet five, based on the annual rebasing of nursing facility rates.

Assuming the FFY 2021 DSH ACA cuts are further delayed by congressional action, it is anticipated that annual aggregate DSH expenditures may increase by \$10.3 million total dollars. In regard to swing bed and administrative day rates, it is anticipated that inpatient hospital expenditures may increase by approximately \$30,000 total dollars.

Written comments may be sent to the SCDHHS, Division of Acute Care/Ancillary Reimbursements, Post Office Box 8206, Columbia, S.C. 29202-8206. Comments may also be submitted to comments@scdhhs.gov. All comments must be received by 5 p.m. Dec. 24, 2020.

Any written comments submitted may be reviewed by the public at the SCDHHS, Division of Acute Care/Ancillary Reimbursements, Room 1219, 1801 Main Street, Columbia, S.C., Monday through Friday between 9 a.m.-5 p.m.

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